

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2001)

Docket No. R2001-1

INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC.
TO UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
(MPA/USPS-T34-21-35)
(November 26, 2001)

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, Magazine Publishers of America, Inc. (MPA) directs the following interrogatories to United States Postal Service witness Taufique (USPS-T-34).

Respectfully submitted,



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MPA/USPS-T34-21. Please refer to USPS-LR-I-107, OC01.xls, worksheet "Calc. of New Cells." Please confirm that your rate design assumes that 47 percent of Zones 1 and 2 pounds will be entered at the destination area distribution center (DADC) in the Test Year. If not confirmed, please explain fully.

MPA/USPS-T34-22. Assume that a mailer enters an area distribution center (ADC) container at a destination ADC (DADC). Assume further that 80 percent of the mail in this container destines in the area for which this ADC is also the destination sectional center facility (DSCF).

(a) Please confirm that the cost for the Postal Service to transport this 80 percent of the mail to the DSCF is zero and, therefore, the transportation cost for this mail is similar to that for DSCF mail. If not confirmed, please explain your response fully.

(b) Please confirm that all of the mail in the container described above will pay the DADC pound rate if the Postal Service-proposed rates go into effect. If not confirmed, please explain your response fully.

(c) All else being equal, please confirm that, for the reason discussed in subparts (a) and (b) of this interrogatory, among others, non-DADC Zones 1 and 2 periodicals have higher transportation costs than DADC Zones 1 and 2 periodicals. If not confirmed, please explain your response fully.

(d) All else being equal, please confirm that, for the reason discussed in subparts (a) and (b) of this interrogatory, non-DADC Zones 1 and 2 periodicals have higher transportation costs than Zones 1 and 2 periodicals as a whole. If not confirmed, please explain your response fully.

MPA/USPS-T34-23. Please refer to witness Loetscher's response to MPA/USPS-T41-2, and worksheet "MPA 2" in resp-mpa-usps-t41-2-6.xls, which

was provided in response to MPA/USPS-T41-2. Please refer further to Table 1 below, which was produced based upon the data in worksheet "MPA 2."

Table 1. Percent of Nonprofit Publications (For Which Entry Point Data Are Available) That Entered Fifty Percent or More of Copies at the Destination Delivery Unit (DDU), Destination Sectional Center Facility (DSCF), or in Zones 1 and 2

Issue Size	Percent DDU, DSCF, or Zones 1 and 2
0-1,000	35.5 percent
1,000-2,000	36.7
2,000-5,000	35.0
5,000-10,000	29.4
10,000-25,000	34.0
25,000-50,000	30.4
50,000-75,000	31.0
75,000-100,000	29.3
100,000-200,000	33.3
200,000-500,000	46.7
500,000-1,000,000	14.3
1 Million+	23.1

(a) Please confirm that Table 1 accurately summarizes the nonprofit data in resp-mpa-usps-T41-2-6.xls, worksheet "MPA 2." If not confirmed, please provide the correct figures.

(b) Please confirm that "local" publications – those that are produced and distributed within the same geographic area – either currently qualify for destination entry rates or that a large portion of such publications could qualify for destination entry rates without having to be hauled long distances. If not confirmed, please explain your response fully.

(c) Please confirm that a portion of small-circulation publications (defined as less than 50,000 pieces per issue) are "local" publications.

(d) Please confirm that the data shown in Table 1 above suggest that a larger portion of small-circulation nonprofit publications than of large-circulation nonprofit publications are "local" publications. Please explain your response fully.

(e) Please confirm that many small-circulation "local" publications would benefit from the editorial pound rates that you are proposing (as compared to a flat editorial pound rate). If not confirmed, please explain your response fully.

(f) Please confirm that many small-circulation "local" nonprofit publications would benefit from the editorial pound rates you are proposing (as compared to a flat editorial pound rate). If not confirmed, please explain your response fully.

MPA/USPS-T34-24. Please refer to witness Loetscher's response to MPA/USPS-T41-1, which presents a distribution of sacks by sack size for the Periodicals Outside-County subclass. Please confirm that the following table accurately summarizes Table 1 – MPA/USPS-T41-1. If you do not confirm, please explain and provide an accurate summary.

Table 2. Summary of Table 1 – MPA/USPS-T41-1 Distribution of Sacks by Sack Size

Sack Size	Number of Sacks	Percentage of Total Number of Sacks
1 to 5 Pieces per Sack	2,734,086 sacks	2.7 percent
1 to 11 Pieces per Sack	21,252,530	21.0
1 to 17 Pieces per Sack	41,939,031	41.5
1 to 23 Pieces per Sack	52,221,973	51.7
Total Number of Sacks	100,972,544	100.0

MPA/USPS-T34-25. Please refer to USPS-LR-J-114, which presents Periodicals Outside-County entry profile data.

(a) Please confirm that Table 3 accurately summarizes USPS-LR-J-114, Table 2. If you do not confirm, please explain and provide an accurate summary.

Table 3. Summary of USPS-LR-J-114, Table 2 Periodicals Entry Profile Data

Entry Facility	Number of Sacks	Percentage of Total Number of Sacks
Destination Delivery Unit	1,008,250 sacks	1.0 percent
Origin Associate Office in Service Territory of Destination Sectional Center Facility	1,606,092	1.6
Destination Sectional Center Facility	17,609,556	17.4
Origin Associate Office in Service Territory of Destination Area Distribution Center	2,000,183	2.0
Origin Sectional Center Facility in Service Territory of Destination Area Distribution Center	5,566,191	5.5
Destination Area Distribution Center	4,854,467	4.8
Origin Associate Office in Service Territory of Destination Bulk Mail Center	626,280	0.6
Origin Sectional Center Facility in Service Territory of Destination Bulk Mail Center	3,524,012	3.5
Origin Area Distribution Center in Service Territory of Destination Bulk Mail Center	6,434,251	6.4
Destination Bulk Mail Center	550,283	0.5
Origin Bulk Mail Center	6,125,469	6.1
Origin Area Distribution Center	22,234,455	22.0
Origin Sectional Center Facility	26,294,182	26.0
Origin Associate Office	2,568,881	2.5
Total	101,002,554	100.0

(b) Please confirm that, according to USPS-LR-J-114, 26 percent of all Periodicals Outside-County sacks are entered at the origin sectional center facility (OSCF) and 22 percent of all Periodicals Outside-County sacks are entered at the origin area distribution center (OADC). If you do not confirm, please provide the correct figures.

MPA/USPS-T34-26. Please refer to USPS-LR-J-114, which presents Periodicals Outside-County entry profile data.

(a) Please confirm that Table 4 accurately summarizes USPS-LR-J-114, Table 2. If you do not confirm, please explain and provide an accurate summary.

Table 4. Summary of USPS-LR-J-114, Table 2 Periodicals Entry Profile Data

Entry Facility	Number of Pallets	Percentage of Total Number of Pallets
Destination Delivery Unit	83,774 pallets	2.1 percent
Origin Associate Office in Service Territory of Destination Sectional Center Facility	1,951	0.0
Destination Sectional Center Facility	1,482,460	37.2
Origin Associate Office in Service Territory of Destination Area Distribution Center	1,079	0.0
Origin Sectional Center Facility in Service Territory of Destination Area Distribution Center	72,612	1.8
Destination Area Distribution Center	364,832	9.2
Origin Associate Office in Service Territory of Destination Bulk Mail Center	1,808	0.0
Origin Sectional Center Facility in Service Territory of Destination Bulk Mail Center	62,031	1.6
Origin Area Distribution Center in Service Territory of Destination Bulk Mail Center	169,245	4.2
Destination Bulk Mail Center	89,034	2.2
Origin Bulk Mail Center	273,729	6.9
Origin Area Distribution Center	741,175	18.6
Origin Sectional Center Facility	583,846	14.6
Origin Associate Office	58,103	1.5
Total	3,985,681	100.0

(b) Please confirm that, according to USPS-LR-J-114, 37.2 percent of all pallets are entered at the destination sectional center facility (DSCF) and 18.6 percent of all pallets are entered at the origin area distribution center (OADC). If you do not confirm, please provide the correct figures.

MPA/USPS-T34-27. Please refer to USPS-LR-J-68, AppenF.xls, which contains Periodicals dropship nontransportation cost models. Please confirm that setting the conversion factors in cells A11 and A12 on worksheet "App F, Tab 2" equal to 1 develops the crossdocking and unloading costs per container shown in Table 6 below. If you do not confirm, please explain and provide the correct data.

Table 6. Crossdocking and Unloading Costs¹

Container Type	Costs per Container		
	Crossdock at Sectional Center Facility (SCF)	Crossdock at Bulk Mail Center (BMC)	Unload at Destination Delivery Unit (DDU)
	"App F, Table 3"	"App F, Table 4"	"App F, Table 5"
Sacks	\$0.693	\$0.785	\$0.321
Pallets	\$15.142	\$14.978	\$4.257

¹ Sum of the products of "Cost per Piece" and "Percent of Volume By Method" or "Percent Vol. in Operation."

MPA/USPS-T34-28. Please refer to USPS-LR-J-100, which contains the model used to estimate the pallet cost avoidance.

(a) Please confirm that cell Y10 in USPS-LR-J-100, worksheet "Table 1" shows that the cost to unload and move sacked mail at the 'destination' facility is \$0.871 per sack. If you do not confirm, please explain.

(b) Please confirm that cell Y16 in USPS-LR-J-100, worksheet "Table 1" shows that the cost to unload and move palletized mail at the 'destination' facility is \$13.232 per pallet. If you do not confirm, please explain.

MPA/USPS-T34-29. Please refer to MPA/USPS-T34-27-28, above. Please confirm that Table 7 presents costs per piece for crossdocking, unloading, and moving operations for containers of different sizes by dividing the costs per container by the number of pieces per container. If you do not confirm, please explain and provide the correct figures.

Table 7. Per-Piece Container-Handling Costs

Container	Crossdocking at Sectional Center Facility (SCF)	Crossdocking at Bulk Mail Center (BMC)	Unloading at Destination Delivery Unit (DDU)	Unloading and Moving at 'Destination' Facility
6-piece sack	\$0.116	\$0.131	\$0.054	\$0.145
12-piece sack	\$0.058	\$0.065	\$0.027	\$0.073
1,062-piece pallet ¹	\$0.014	\$0.014	\$0.004	\$0.012
Average pallet ²	\$0.009	\$0.009	\$0.002	\$0.008

¹ A 500-pound pallet assuming the average 0.471 pounds per piece.

² A pallet with 1,728.9 pieces (USPS-LR-J-114).

MPA/USPS-T34-30. Please refer to MPA/USPS-T34-29, above. Assume that a 6-piece sack containing 3-digit automation pieces is entered at an origin sectional center facility (OSCF) in Zone 4 and is crossdocked at the OSCF, the origin bulk mail center (BMC), and the destination BMC and incurs unloading and moving costs at a destination facility. Further, please assume that each piece in the sack weighs 0.471 pounds and has an advertising percentage of 43.5.

(a) Please confirm that the Postal Service incurs a cost per piece of \$0.523 (sum of \$0.116, \$0.131, \$0.131, and \$0.145) for crossdocking, unloading, and moving this sack. If you do not confirm, please explain and provide the correct figure.

(b) Please confirm that, under your proposed Periodicals Outside-County rates, the postage that each of these pieces would pay is \$0.356. If you do not confirm, please provide the correct figure.

(c) Please confirm that the postage of \$0.356 is 68 percent of the cost per piece of \$0.523 for crossdocking and handling the sack. If you do not confirm, please provide the correct figure.

MPA/USPS-T34-31. Please refer to MPA/USPS-T34-29, above. Assume that a 12-piece sack containing 3-digit automation pieces is entered at an origin sectional center facility (SCF) in Zone 4 and is crossdocked at the origin SCF, the origin bulk mail center (BMC), and the destination BMC and incurs unloading and moving costs at a destination facility. Further, please assume that each piece in the sack weighs 0.471 pounds and has an advertising percent of 43.5.

(a) Please confirm that the Postal Service incurs a cost per piece of \$0.261 (sum of \$0.058, \$0.065, \$0.065, and \$0.073) for crossdocking, unloading, and moving this sack. If you do not confirm, please explain and provide the correct figure.

(b) Please confirm that, under your proposed Periodicals Outside-County rates, the postage that each of these pieces would pay is \$0.356. If you do not confirm, please provide the correct figure.

MPA/USPS-T34-32. Please refer to MPA/USPS-T34-29, above. Assume that a 1,062-piece pallet (500 pounds assuming each piece weighs 0.471 pounds) containing 3-digit automation pieces is entered at an origin sectional center facility (SCF) and is crossdocked at the origin SCF, the origin bulk mail center (BMC), and the destination BMC and incurs unloading and moving costs at a destination facility. Please confirm that the Postal Service incurs a cost per piece of \$0.054 (sum of \$0.014, \$0.014, \$0.014, and \$0.012) for crossdocking, unloading, and moving this pallet. If you do not confirm, please explain and provide the correct figure.

MPA/USPS-T34-33. Please refer to MPA/USPS-T34-29, above. Assume that a 1,728.9-piece pallet containing 3-digit automation pieces is entered at an origin sectional center facility (SCF) and is crossdocked at the origin SCF, the origin bulk mail center (BMC), and the destination BMC and incurs unloading and moving costs at a destination facility. Please confirm that the Postal Service incurs a cost per piece of \$0.035 (sum of \$0.009, \$0.009, \$0.009, and \$0.008) for crossdocking, unloading, and moving this pallet. If you do not confirm, please explain and provide the correct figure.

MPA/USPS-T34-34. Please refer to your response to Presiding Officer's Information Request Number 3, which shows pound rates under the "Old Method." Assume that a Periodicals Outside-County piece weighs 0.471 pounds and has an advertising percent of 43.5.

(a) Please confirm that, under your proposed Zone 4 rates, the revenue per piece from the advertising pounds is \$0.065 and the revenue per piece from the nonadvertising pounds is \$0.054 and that their sum is \$0.119. If you do not confirm, please provide the correct figures.

(b) Please confirm that, under your proposed destination sectional center facility (DSCF) rates, the revenue per piece from the advertising pounds is \$0.042, the revenue per piece from the nonadvertising pounds is \$0.048, the worksharing DSCF entry revenue per piece is -\$0.008 and that their sum is \$0.082. If you do not confirm, please provide the correct figures.

(c) Please confirm that, under your proposed rates, the difference in postage between entering this piece in Zone 4 and entering it at the DSCF is \$0.037 (\$0.119 less \$0.082). If you do not confirm, please provide the correct figures.

(d) All else being equal, please confirm that, using the transportation and nontransportation cost avoidances underlying the "Old Method" pound rates and

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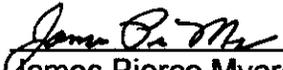
the DSCF piece discount, it costs the Postal Service \$0.055 more for this piece if entered in Zone 4 than if entered at the DSCF. If you do not confirm, please explain and provide the correct figure.

(e) Please confirm that, even using the "Old Method" cost avoidance estimates, the effective passthrough of the dropship-related cost difference between Zone 4 and DSCF for this piece is \$0.037/\$0.055 or 67.6 percent. If you do not confirm, please provide the correct figure.

MPA/USPS-T34-35. Please describe all Postal Service plans to ensure that it will capture the savings from increased dropshipping that are estimated to result from your proposed rate design.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the rules of practice.



James Pierce Myers
Counsel for
MAGAZINE PUBLISHERS OF AMERICA, INC.

November 26, 2001
Alexandria, VA